

June 4, 2001

The Honorable David A. Bell  
Clerk of the Circuit Court  
County of Arlington

Board of Supervisors  
County of Arlington

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Arlington for the period of October 1, 1999 through March 31, 2001.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system; evaluate the Court's internal controls; and test its compliance with significant state laws, regulations, and policies. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system. However, we noted weaknesses in internal controls and noncompliance with state laws, regulations, and policies that the Clerk needs to address as described below.

#### **Improve Bank Reconciliation Process**

The Clerk does not resolve all discrepancies between the Financial Management System (FMS) and the bank statement each month. Of the 23 bank reconciliations reviewed, none included all discrepancies between FMS and the bank statement. We found several items such as deposited check amount corrections on the bank statements that were not recorded in FMS causing reconciling items to exist between the system balance and bank balance. All discrepancies found were not material and were corrected during the audit. In addition, the reconciliation preparer and reviewer did not sign any of the bank reconciliations.

Bank reconciliations are an important control measure over the court's cash holdings. If the Clerk does not research and resolve all discrepancies, the court cannot ensure the accuracy of balances on the general ledger and bank statements. Allowing discrepancies to carry over to the next month increases the difficulty of resolving problems and increases the risk of improprieties going undetected.

The Clerk should immediately implement stronger controls over the reconciliation of his official bank account. The Clerk should not consider the bank reconciliation complete until the adjusted bank balance, the adjusted checkbook balance and FMS agree. The Clerk should also ensure that a second knowledgeable staff person reviews the reconciliation for completeness and that both the preparer and reviewer sign and date the reconciliation.

**Establish Receivables Promptly**

The Clerk is not establishing accounts receivable on the court's automated accounting system timely. In seven of 15 receivables tested, the Clerk established an FMS account between 14 and 34 days after final case disposition. To increase the collection of court revenues, the Clerk should establish receivables immediately upon final disposition of the case as required by the Financial Management System User's Guide.

We discussed these comments with the Clerk on June 4, 2001, and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:whb

cc: The Honorable P. F. Sheridan, Chief Judge  
William T. Donahue, County Manager  
Bruce Haynes, Executive Secretary  
Compensation Board  
Don Lucido, Director of Technical Assistance  
Supreme Court of Virginia  
Martin Watts, Court Analyst  
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**TO:** David A. Bell, Clerk of the Circuit Court

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**FROM:** Joy H. Thorpe

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**DATE:** Tuesday, August 07, 2001 **TIME:** 10:28 AM

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**Number of pages including cover page:** 4

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**CONFIDENTIAL FOR: David A. Bell, Clerk**

**MESSAGE:** Enclosed is a **DRAFT COPY** of our audit report. We previously discussed these findings with you during the audit. We are providing this draft copy to afford you an additional opportunity to comment before we finalize the report.

If you would like to discuss the findings included in this draft audit report, call Joy H. Thorpe at (804)-225-3350 when you receive this draft. **If we do not hear from you by Thursday, July 26, 2001, we will issue the final report.**